



U.S. Small Business Administration

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U.S. Small Business Administration

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NEWS for Eastern Iowa Lenders

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To Economic Development Organizations in Eastern Iowa. Circulation: 600+

Amendments to 7(a) Loan Program Benefit Borrowers & Lenders

Loan Assumption Fees:

Effective immediately, participant lenders are permitted to charge a 1% fee to a small business assuming an SBA 7(a) Guaranteed Loan. The use of assumptions rather than the creation of new loans benefits small business owners because SBA does not charge a new guaranty fee. This fee is intended as an incentive for a lender to retain an existing SBA guaranteed loan. Assumptors of loans not in a workout status must meet regular eligibility criteria. Assumptors of loans that are in workout status do not have to meet regular eligibility criteria.

Escrow Accounts:

Effective immediately, lenders are permitted to establish escrow accounts to hold money for payment of property tax, hazard, flood and earthquake insurances when applicable on collateral securing SBA 7(a) Guaranteed Loans. For more information, please contact our office.

SBA Loan Processing & Eligibility Guidelines for "Use of Loan Proceeds"

What Are Eligible Uses of Proceeds?

A small business must use an SBA business loan for sound business purposes. The uses of proceeds are prescribed in each loan's Authorization.

(a) A Borrower may use loan proceeds from any SBA loan to:

- (1) Acquire land (by purchase or lease); (2) Improve a site (e.g., grading, streets, parking lots, landscaping), including up to 5 percent for community improvements such as curbs and sidewalks; (3) Purchase one or more existing buildings;
- (4) Convert, expand or renovate one or more existing buildings; (5) Construct one or more new buildings; and/or
- (6) Acquire (by purchase or lease) and install fixed assets (for a 504 loan, these assets must have a useful life of at least 10 years and be at a fixed location, although short-term financing for equipment, furniture, and furnishings may be permitted where essential to and a minor portion of the 504 Project).

(b) A Borrower may also use 7(a) proceeds for:

- (1) Inventory; (2) Supplies; (3) Raw materials; and (4) Working capital (if the Operating Company is a co-Borrower with an Eligible Passive Company, part of the loan proceeds may be applied for working capital if used for that purpose only by the Operating Company).

(c) A Borrower may use 7(a) loan proceeds for refinancing certain outstanding debts.

Restrictions on Uses of Proceeds:

SBA will not authorize nor may a Borrower use loan proceeds for the following purposes (including the replacement of funds used for any such purpose):

- (a) Payments, distributions or loans to Associates of the applicant (except for ordinary compensation for services rendered);
- (b) Refinancing a debt owed to a Small Business Investment Company ("SBIC");
- (c) Floor plan financing
- (d) Investments in real or personal property acquired and held primarily for sale, lease, or investment (except for a loan to an Eligible Passive Company)
- (e) A purpose which does not benefit the small business;
- (f) A Borrower may not use 7(a) loan proceeds to pay any creditor in a position to sustain a loss causing a shift to SBA of all or part of a potential loss from an existing debt.
- (g) A Borrower may not use 7(a) loan proceeds to purchase a portion of a business or a portion of another owner's interest. One or more current owners may use loan proceeds to purchase the entire interest of another current owner, or a Borrower can purchase ownership of an entire business.
- (h) Costs not directly attributable and necessary for the 504 Project may not be paid with proceeds of the 504 loan.

(more)

Refinancing Existing SBA Loans

SBA will only refinance existing SBA loans under extenuating circumstances. SBA believes existing loans should be accommodated through cooperation between the borrower, lender and SBA by altering the existing terms rather than refinance for ease or convenience. Additionally, the borrower has paid a fee for any existing guaranteed loan and refinancing would result in additional fee expense. Should you feel you have justification for refinancing an existing SBA loan, please contact our office first. Refinancing existing SBA direct or guaranteed debt is not authorized under any procedure (Low Doc, PLP, Express) other than regular 7(a).

Calendar of Upcoming Events

Date:	Bank Group	Meeting Place:	Meeting Time:
May 12th	Group 7	Sunnyside Country Club, Waterloo	10:00 AM
May 13th	Group 4	Manchester Golf Club, Manchester	9:30 AM
May 14th	Group 8	Geneva Golf & Country Club, Muscatine	4:00 PM

April 29 Refining Your SBA Lending Skills, Kirkwood Training and Outreach Services, 3375 Armar Dr., Registration 8:15 a.m.

May 1 IDEA Smart Conference Polk County Convention Complex, Des Moines 8:30 - 3:45

Topic: The Changing Face of Economic Development. Contact 1-800-264-1064 for details.

June 17 Regulatory Fairness Public Meeting Kirkwood Training and Outreach Services, 3375 Armar Dr., Marion

Refining Your SBA Lending Skills

(An Encore Presentation) April 29, 2003

Topics To Be Covered: SBA Express, Tips To Make The 7(A), Application Process Go Smoothly, Suggestions For Closing SBA Loans, Guidance On SBA Servicing And Liquidation, The Lowdoc Process, And More (Capline, 504, Pre-Qual...)

Location:

The Kirkwood Training & Outreach Center (KTOS)
3375 Armar Drive, Room 127
Marion, Iowa 52302

Please register soon! There is limited space for our "April 29, 2003" seminar.

Register:

Call Diane Bieber at (319)362-6405 Ext. 200 or email diane.bieber@sba.gov by April 22nd.

SBA 50th Anniversary (1953 – 2003)

This year, SBA celebrates 50 years of "Empowering America's Entrepreneurs." Events kickoff nationwide in May with Small Business Week celebrated at varying times in all 50 states and 3 U.S. territories. The national event will be held September 15th – 19th at the National Entrepreneurial Conference and Expo in Washington DC. Our 50th Anniversary logo will be used through June, 2004. At right is what you will see on many of our communications during the next 12 months.

If you know of a business still operating with a paid-in-full early Iowa (1953-1959) loan or early district (1980-1981) loan you would like to see honored during this event, please let us know.



Send Us Your Successes

SBA is looking for successful businesses with SBA assistance for our success story program. We visit the businesses and do all of the work. The stories are published on our district web site and faxed to eastern Iowa media with the business owner's consent and permission. We also give credit when possible to the resource partner giving the assistance. Send us your ideas and suggestions. We do the work and you get the credit.

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PAPERWORK →→→

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SBA Express

The program reduces the number of government mandated forms AND streamlines the process for less complex SBA loans. The program allows lenders to utilize, to the maximum extent possible, their own loan analyses and documentation.

Lenders can thus use their own application forms, internal credit memoranda, notes, collateral documents, servicing documentation, and liquidation documentation.

However, in using their documents, lenders must follow their own established and proven internal credit review and analysis procedures used for their non-SBA guaranteed commercial loans.

The new program guide for the Enhanced SBAExpress is available for review at www.sba.gov/banking. If you are interested in knowing more about the program, please see the guide or contact our office. Should you desire SBAExpress authority, forward your intentions to Mike Davis at the Sacramento PLP Center. His phone is (916)930-2460 and his e-mail is mike.davis@sba.gov.

Our 1st & 2nd Qtr. Performance Compared with Last Year

FY 2003 1 st Qtr	Loans	Amounts	FY 2002 1 st Qtr	Loans	Amounts
Veterans	6	\$1,613,300	Veterans	5	\$1,187,000
Minority	2	\$255,500	Minority	1	\$71,000
Women	12	\$1,050,500	Women	7	\$868,800
LowDoc	21	\$1,609,000	LowDoc	16	\$868,800
504	14	\$3,252,000	504	6	\$1,861,000
All Loans	50	\$9,962,200	All Loans	43	\$8,781,500
FY 2003 2 nd Qtr	Loans	Amounts	FY 2002 2 nd Qtr	Loans	Amounts
Veterans	5	\$927,500	Veterans	4	\$551,000
Minority	3	\$1,190,000	Minority	2	\$207,000
Women	12	\$1,086,000	Women	11	\$921,900
LowDoc	34	\$2,848,000	LowDoc	29	\$2,358,600
504	3	\$722,000	504	4	\$337,000
All Loans	52	\$9,162,000	All Loans	39	\$4,005,700
FY 2003 1 st 6 Mos	Loans	Amounts	FY 2002 1 st 6 Mos	Loans	Amounts
Veterans	11	\$2,540,800	Veterans	9	\$1,738,000
Minority	5	\$1,445,500	Minority	3	\$278,000
Women	24	\$2,136,500	Women	18	\$1,790,700
LowDoc	55	\$4,457,000	LowDoc	45	\$3,227,400
504	17	\$3,974,000	504	10	\$2,198,000
All Loans	102	\$19,124,200	All Loans	82	\$12,787,200

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